

AMENDED IN SENATE APRIL 20, 2009

**SENATE BILL**

**No. 503**

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**Introduced by Senator Kehoe**

February 26, 2009

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An act to add Section 16794 to the Government Code, relating to general obligation bonds.

LEGISLATIVE COUNSEL'S DIGEST

SB 503, as amended, Kehoe. State General Obligation Bond Law: audits.

The State General Obligation Bond Law sets forth the procedures for the issuance and sale of bonds governed by its provisions and for the disbursement of the proceeds of the sale of those bonds. Existing law provides for various oversight and reporting requirements for the expenditure of state funds, including the proceeds of bonds.

This bill would, ~~effective July 1, 2010,~~ require the Controller, on or before April 30, ~~2011~~ 2010, and on or before April 30, annually thereafter, to choose one or more bond projects funded from certain bond acts to be the subject of an audit, pursuant to certain procedures. The Controller would be required annually to assign 10 auditor positions to conduct these audits. The Controller would be authorized to examine any record of any agency, contractor, and other specified parties that relates to the use of bond proceeds and would be required, by April 30 of each year, to prepare an audit plan for the following fiscal year.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 16794 is added to the Government Code, to read:

16794. (a) On or before April 30, ~~2011~~ 2010, and on or before April 30, annually thereafter, the Controller shall choose one or more projects funded from one, or more, of the following bond acts to be the subject of an audit pursuant to this section, in accordance with the audit plan specified in subdivision (f):

(1) The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Chapter 12.49 (commencing with Section 8879.20) of Division 1).

(2) The Housing and Emergency Shelter Trust Fund Act of 2006 (Part 12 (commencing with Section 53540) of Division 31 of the Health and Safety Code).

(3) The Kindergarten-University Public Education Facilities Bond Act of 2006 (Part 69 (commencing with Section 101000) of the Education Code).

(4) The Disaster Preparedness and Flood Prevention Bond Act of 2006 (Chapter 1.699 (commencing with Section 5096.800) of Division 5 of the Public Resources Code).

(5) The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Division 43 (commencing with Section 75001) of the Public Resources Code).

(b) When conducting an audit pursuant to this section, the Controller shall audit the bond project in order to ensure that the project is implemented in an efficient, cost-effective, and timely way and that bond proceeds are spent in a manner that is legal and consistent with the provisions of the authorizing measures. Based on these audits, the Controller shall make recommendations to the Legislature and responsible departments and agencies about how to improve implementation of bond projects.

(c) For the purpose of conducting an audit under this section, the Controller shall be given access to, and is authorized to examine, any record of any agency, contractor, subcontractor, vendor, or other individual or entity receiving, directly or indirectly, bond proceeds if the record is related to the use of those proceeds. For this purpose, the Controller has the same authority to access records, and be subject to the same provisions on disclosure of

1 records, as provided for the State Auditor in Article 1 (commencing  
2 with Section 8543) of Chapter 6.5 of Division 1.

3 (d) The department or agency responsible for the project being  
4 audited shall reimburse the Controller for the actual cost of  
5 conducting the audit from the proceeds of bonds allocated for  
6 administrative purposes for that project. To cover the cost of each  
7 audit, the Controller shall use only those funds allocated for the  
8 particular project being audited and not funds allocated for any  
9 other project.

10 (e) Any audit conducted by the Controller pertaining to Chapter  
11 1.699 (commencing with Section 5096.800) and Division 43  
12 (commencing with Section 75001) of the Public Resources Code  
13 shall complement, and not replace, the independent audits specified  
14 by Sections 5096.953 and 75078 of the Public Resources Code.  
15 To eliminate audit duplication and streamline the audit process,  
16 the agencies authorized to conduct independent audits under these  
17 provisions shall first consider contracting with the Controller to  
18 conduct any independent audit. Funding for an audit authorized  
19 by Section 75078 of the Public Resources Code shall be subject  
20 to the administrative cost share limitation specified in Section  
21 75070.5 of the Public Resources Code.

22 (f) The Controller shall, by April 30 of each year, prepare an  
23 audit plan for the following fiscal year specifying the projects that  
24 will be subject to an audit pursuant to this section, the responsible  
25 departments or agencies to be audited, and an estimated completion  
26 date of the audits. The Controller shall annually assign 10 auditor  
27 positions to conduct the audits specified by this section. If the audit  
28 plan identifies a need for additional auditors, the Controller may  
29 request funding in the annual Budget Bill for additional auditors.

30 (g) It is the intent of the Legislature that the savings to the state  
31 from implementing recommendations made as a result of audits  
32 required by this section fully offset the cost of conducting the  
33 audits.

34 ~~(h) This section shall become operative on July 1, 2010.~~